

## Message Text

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PAGE 01 RIO DE 03719 141646Z

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AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMCONSUL BELEM

AMCONSUL PORTO ALEGRE

AMCONSUL RECIFE

AMCONSUL SALVADOR

UNCLAS RIO DE JANEIRO 3719

E. O. 11652: N/A

TAGS: BEXP, BR

SUBJ: COUNTRY COMMERCIAL ACTION GROUP (CCAG) MEETING, OCTOBER

29 - US PARTICIPATION IN ESTEIO AGRICULTURAL SHOW IN

PORTO ALEGRE, AUGUST, 1976

REF.: BRASILIA 9682

### 1. SUMMARY

ESTEIO IS NOT ONLY THE LARGEST AGRICULTURAL SHOW IN BRAZIL BUT ONE OF THE MOST IMPORTANT SHOWS OF ITS KIND IN LATIN AMERICA. CONSIDERING THE SIGNIFICANCE OF AGRICULTURE IN THE BRAZILIAN ECONOMY AND THE GOB'S EMPHASIS ON INCREASING THE PRODUCTIVITY OF THIS SECTION, CCA RECOMMENDS THAT THE DEPARTMENT OF COMMERCE CONSIDER CAREFULLY THE APPROACH DESCRIBED BELOW BEFORE CANCELING US PARTICIPATION IN THIS SHOW. END SUMMARY.

### 2. BRAZIL'S SUCCESSFUL AND VERY VISIBLE INDUSTRIALIZATION

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PAGE 02 RIO DE 03719 141646Z

PROCESS NOTWITHSTANDING, THE BULK OF BRAZILIAN EXPORTS (OVER 60 PERCENT) STILL COME EITHER DIRECTLY OR INDIRECTLY FROM

AGRICULTURAL PRODUCTS. THE GOB'S EMPHASIS UPON MODERNIZING THIS SECTOR AND INCREASING ITS PRODUCTIVITY IS WELL-KNOWN. U.S. AGRICULTURE - THE MOST EFFICIENT IN THE WORLD - WITH ITS SIMILARITY OF SCALE, TERRAIN, CROPS AND GROWING CONDITIONS, IS THE OBVIOUS MODEL FOR BRAZILIAN AGRICULTURE.

3. THE FIRST PLANNED US PARTICIPATION IN THE ESTEIO INTERNATIONAL OF AUGUST 1974, WAS CANCELED IN MARCH OF THAT YEAR. BRAZIL'S COUNTRY COMMERCIAL PROGRAM FOR FY 1976 CURRENTLY CALLS FOR US PARTICIPATION IN THE SUBSEQUENT ESTEIO INTERNATIONAL (A BI-ANNUAL AFFAIR) IN AUGUST 1976. JUST BEFORE ITS MEETING, THE CCAG WAS INFORMED THAT COMMERCE HAD AGAIN DECIDED TO CANCEL PARTICIPATION IN THIS SHOW.

4. THE ESTEIO INTERNATIONAL SHOW IS ONE OF THE LARGEST OF ITS KIND IN LATIN AMERICA. ATTENDANCE IN 1974 WAS OVER 600,000, INCLUDING MANY VISITORS FROM ARGENTINA, URUGUAY AND OTHER NEIGHBORING COUNTRIES. IN SPITE OF THE DIFFICULTIES INHERENT IN BRAZIL'S CURRENT IMPORT CLIMATE (DESCRIBED AT LENGTH IN OTHER MESSAGES ON CCAG MEETING), CCAG RECOMMENDS THAT COMMERCE CONSIDER THE APPROACH DESCRIBED BELOW BEFORE MAKING A FINAL DECISION RE CANCELLATION.

5. IN PREPARING FOR US PARTICIPATION IN ESTEIO IN AUGUST 1976, CCAG RECOMMENDS THE MOST CAREFUL SELECTION OF EXHIBITORS. IN-COUNTRY, THERE HAS ALREADY BEEN CLOSE COLLABORATION BETWEEN AGRICULTURAL ATTACHE, PORTO ALEGRE AND COMMERCIAL COUNSELOR. THIS CLOSE COLLABORATION SHOULD BE FOLLOWED UP AT THE EARLIEST POSSIBLE TIME IN WASHINGTON BETWEEN THE US DEPARTMENT OF COMMERCE (USDOC) AND U.S. DEPARTMENT OF AGRICULTURE (USDA). USDA'S PARTICIPATION WILL BE FOCUSED MAINLY ON SHOWING CATTLE, BUT ITS TECHNICAL ADVICE IN TERMS OF TYPES OF EQUIPMENT APPLICABLE TO BRAZILIAN MARKET WILL BE ESSENTIAL.

6. AS AN EXAMPLE OF THE SPECIFIC TARGETING REQUIRED IN TODAY'S BRAZILIAN MARKET, THE CCAG SUBMITS THE FOLLOWING FORMAT FOR RECRUITING EXHIBITORS:

A) OPPORTUNITY TARGET - VAST AGRICULTURAL AREAS ARE BEING OPENED  
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PAGE 03 RIO DE 03719 141646Z

IN MATO GROSSO, MINAS GERAIS AND GOIAS WHERE FLATNESS OF TERRAIN PERMITS USE OF MEGAHORSEPOWER MACHINES. A DEEP MARKET FOR THIS TYPE OF EQUIPMENT HAS NOT BEEN DEVELOPED UP UNTIL NOW BECAUSE SIZE OF HOLDINGS AND TYPE OF TERRAIN CALLED FOR LOWER HORSEPOWER EQUIPMENT. RECOMMENDATION: EXHIBIT TRACTORS, COMBINES, AND SIMILAR EQUIPMENT ONLY OF HEAVIEST HORSEPOWER MAGNITUDE.

B) OPPORTUNITY TARGET - CURRENT LARGE AND MEDIUM-SIZED PRODUCERS OF SOYBEANS MAY WELL SELECT CORN AS AN ALTERNATE CROP IF INTERNATIONAL SOYBEAN PRICES SAG. CORN GROWING HAS BEEN MAINLY

IN THE HANDS OF SMALLER FARMERS AND PRODUCTION INEFFICIENT,  
BUT OUR TARGET WILL BE THE MORE EFFICIENT SOUBEAN GROWERS.  
ONLY 10 PERCENT OF BRAZIL'S CORN CROP IS MECHANIZED AT THIS TIME.  
RECOMMENDATION: DISPLAY OF CORN SPRAYERS WITH LARGE DIAMETER  
WHEELS PERMITTING SPRAYING OVER CORN PLANTS.

C) OPPORTUNITY TARGET - AT THE PRESENT TIME ONLY 3 PERCENT OF  
BRAZIL'S MILK COMES FROM COWS WHICH ARE MILKED BY MACHINES.  
YET CONSUMPTION OF MILK PRODUCTS IS EXPECTED TO DOUBLE FROM  
7.7 MILLION TONS IN 1973 TO 14.8 MILLION TONS IN 1980. IBRD  
AND IDB ARE PROVIDING CLOSE TO \$8 MILLION TO IMPROVE MILK  
PROCESSING AND DIVERSIFY THE DAIRY INDUSTRY. RECOMMENDATION -  
EXHIBIT A FULL SET OF AUTOMATED MILKING EQUIPMENT IN OPERATION  
(IN A GLASS CAGE).

7. WHILE THE FOREGOING ARE ACTUAL RECOMMENDATIONS TO BE MADE  
CONCERNING US PARTICIPATION IN ESTEIO, THE APPROACH IS ALSO  
ILLUSTRATIVE OF TYPE OF TARGETING WE NEED IF WE ARE TO SELL US  
AGRICULTURAL EQUIPMENT IN BRAZIL. AN EARLY AND CLOSE TRIANGULAR  
COOPERATIVE EFFORT BETWEEN USDOC, USDA AND EMBASSY IS ESSENTIAL  
IN ORDER TO MAKE US PARTICIPATION IN ESTEIO A SUCCESS.

DEXTER

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